

FISCAL NOTE

HB 2676 - SB 2745

February 7, 2008

SUMMARY OF BILL: Creates a \$5 privilege tax on each customer admitted into adult-oriented cabarets or establishments, to be paid in the manner as determined by each adult-oriented business. Such tax is to be remitted to the state treasurer within 15 days of each calendar quarter, with 2% remaining with the county establishment boards to defray the cost of administering the tax and the remaining 98% being used for grants for the assistance of victims of sexual abuse and domestic violence. Requires the Division of Resource Development within the Department of Finance and Administration (F&A) to administer grant program.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – Net Impact – \$1,378,100 / Earmarked for grants to victims of sexual and domestic violence

**Increase State Expenditures - \$104,000 / One-Time
\$144,700 / Recurring**

Increase Local Revenue - \$28,200

Increase Local Expenditures* – Exceeds \$500,000

Assumptions:

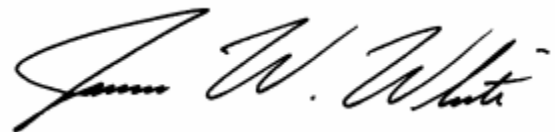
- 50 adult-oriented cabarets in Tennessee.
- Each is open an average of 300 days per year.
- Each is open an average of 12 hours per day.
- An average of 75 customers per day per cabaret (approximately 6.25 customers per hour).
- The number of visits is estimated to be 1,125,000 (50 cabarets x 300 days per year x 75 customers per day = 1,125,000) per year.
- Only 25% of such entries will be reported by the adult-oriented cabarets each year (281,250).
- The increase of privilege tax revenue is estimated to be \$1,406,300 (281,250 x \$5 = \$1,406,250) per year.

- Increase to local government revenue is estimated to be \$28,200 (\$1,406,250 x 2% = \$28,150) per year.
- The net increase to state revenue is estimated to be \$1,378,100 (\$1,406,300 - \$28,200 local share = \$1,378,100) per year.
- According to the State Treasurer, the department currently does not have the resources or capabilities to enforce the provisions of this bill. As a result, there would be a one-time increase of state expenditures estimated to be \$100,000 for systems application development to be used for record keeping, tax assessment and collection.
- The increase of recurring state expenditures for one additional Staff Accountant position in the State Treasurer's Office is estimated to be \$100,000 per year (\$65,000 salary; \$20,000 benefits; \$15,000 for communications, supplies, administrative, etc.).
- Many counties do not have adult-oriented establishment boards; therefore they would have to be created. The extent of expenses arising from the creation of multiple county boards and for conducting on-going responsibilities is unknown and dependent upon multiple unknown factors. However, such increase is reasonably estimated to exceed \$500,000 per year statewide.
- One additional position in Division of Resource Development within F&A to administer the grant program. The recurring increase to state expenditures for this position is estimated to be \$44,700 per year (\$30,000 for salary; \$10,000 for benefits; \$4,700 for communications, supplies, administrative, etc.). One-time state expenditures associated with this position is estimated to be \$4,000 (computer, software, etc.).

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc